

A LETTER OF GOOD STANDING: WHY DOES EVERY SOUTH AFRICAN SME NEED ONE?



Running a small or medium-sized enterprise (SME) in South Africa comes with many challenges but compliance with workplace safety laws should not be one of them.

One critical document that every SME owner should prioritise is the Letter of Good Standing. In this article we will discuss why it is essential and what could go wrong if you don't have a *Letter of Good Standing*.

What is the Letter of Good Standing?

The *Letter of Good Standing* is a document issued by the Compensation Fund of South Africa which certifies that your business meets the *requirements of the Compensation for Occupational Injuries and Diseases Act (COIDA)*.

It demonstrates that you are registered with the Compensation Fund; that your *return of earnings (ROE) has been submitted*; and that your assessment fees are up to date. In essence, it verifies your compliance and your good standing with the Compensation Fund.

Why is it important for your business?

The *Letter of Good Standing (LOGS)* is more than just a legal requirement for the SME owner – it is an essential document that significantly benefits your business and demonstrates your commitment to compliance and responsible business practices.

- Having a *Letter of Good Standing* means that your business is covered by the Compensation Fund in case of workplace injuries or diseases. This provides protection for your employees and ensures that they are compensated for any work-related incidents, reducing the risk of legal disputes. It also assures employees that their rights and safety are a priority, leading to increased job satisfaction. Employees feel more secure knowing that they are protected.
- It has the potential of unlocking opportunities during tender processes, as many government contracts and large private-sector tenders require a *Letter of Good Standing* as proof of compliance.
- The Department of Employment and Labour mandates COIDA compliance, and having a *Letter of Good Standing* proves that your business is legally registered and meet statutory requirements, establishing trust and credibility with clients, suppliers and partners.

What are the risks of not having a Letter of Good Standing?

Failure to secure a *Letter of Good Standing* could result in legal action for non-compliance with COIDA regulations. Without it, you may be forced to cover compensation costs out of pocket for employees who are injured or become ill due to unsafe working conditions. These costs could soon escalate, potentially amounting to hundreds of thousands of rands.

Not having a *Letter of Good Standing* disqualifies you from tenders and contracts, cutting off potential revenue streams. Additionally, non-compliance could result in fines or legal action taken by the Department of Employment and Labour, further impacting your business operations.

How to get your Letter of Good Standing?

The following is a practical guide to help you secure this crucial document:



Step 1: Register your business

If you have one or more employees, you must register with the Compensation Fund. This can be done online via the Department of Employment and Labour's online portal. Thereafter, a unique reference number will be generated upon registration.



Step 2: Submit your return of earnings (ROE)

You need to annually *declare your total payroll (actual earnings)* for the past year and estimated payroll for the coming year (provisional earnings). The assessment will be calculated based on the declared earnings, using the company's industry rate to determine the fee payable to the Compensation Fund.



Step 3: Pay the fees

After submitting your ROE you will receive an invoice (notice of assessment) detailing the fee owed. This invoice must be paid within 30 days. If you are unable to pay the full amount upfront, you can apply for an instalment plan with the Compensation Fund.



Step 4: Apply for the letter

Once your payment is reflected and allocated on the system, you can generate your *Letter of Good Standing* online. The letter is valid for one year and must be renewed annually.

How to avoid delays

To avoid delays in receiving your *Letter of Good Standing*, ensure that ROEs are submitted on time and payments are made within the relevant timeframe. The Compensation Fund will not issue a *Letter of Good Standing* if you have outstanding payments.

Late payments incur penalties, which can cause financial difficulties. If the process feels overwhelming, consider using professional compliance experts to manage registrations and submission, reducing the risk of errors and delays.

It is important to **plan ahead**. Don't wait until you need the letter for a tender or audit. Always have it in place to avoid last-minute stress.

Conclusion

Make compliance a priority. As an SME owner, a *Letter of Good Standing* is not merely a formality; it is a safety net for your business and employees. It protects you from financial losses, opens growth opportunities, and keeps your business on the right side of the law.

Non-compliance with COIDA can result in legal complications, financial risks and missed opportunities. Make the effort to secure your *Letter of Good Standing* today and position your business for long-term success. If you are unsure where to begin, reach out to SERR Synergy for expert guidance throughout the process.

*SERR Synergy assists businesses with a wide range of services to ensure **full compliance with health and safety regulations***. We have a dedicated team of COIDA experts or COID practitioners ready to assist, advise and submit the necessary information to ensure compliance.

About the Author: Marius Ferreira joined SERR Synergy in 2019 and currently holds the position of National OHS Manager. He has over 20 years' experience in the Health, Safety and Education Industries. He prides himself on developing others and transforming the Health and Safety culture of companies.

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